

Message Text

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ACTION ARA-20

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C O N F I D E N T I A L CARACAS 4459

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TAGS: EMIN, PGOV, PFOR, ENRG, ELAB, VE

SUBJECT: POLITICAL IMPLICATIONS OF PRESIDENT PEREZ'S
ECONOMIC PROGRAM

REF: CARACAS 3769 AND SUBSEQUENT MESSAGES

SUMMARY: PRESIDENT PEREZ'S NEW ECONOMIC PORGRAM ENJOYS WIDESPREAD DOMESTIC SUPPORT AND WILL BE ENACTED INTO LAW WITHOUT DIFFICULTY. HOWEVER, RUMBLINGS OF DISCONTENT ARE BEGINNING TO BE NOTED FROM THE BUSINESS SECTOR, WHICH FEARS THE PRESIDENT IS CONTEMPLATING EVENTUAL DRASTIC MEASURES WHICH COULD SERIOUSLY AFFECT IT. SOME LOCAL OBSERVERS ARE BEGINNING TO BE WORRIED THAT THE PRESIDENT IS TRYING TO GO TOO FAR TOO FAST. END SUMMARY.

1. THE CHAMBER OF DEPUTIES IS CURRENTLY DEBATING LEGISLATION TO GRANT PRESIDENT PEREZ EXTRAORDINARY POWERS PURSUANT TO HIS APRIL 29 ECONOMIC MESSAGE. THIS LEGISLATION IS BEING SOUGHT BY PEREZ IN ORDER, AS HE CLAIMS, TO SIMPLIFY AND ACCELERATE THE LEGISLATIVE PROCESS BY WHICH HIS REFORM MEASURES WILL BE IMPLEMENTED. THE FINANCE COMMITTEE IN THE CHAMBER OF DEPUTIES HAS ADDED TWO AMENDMENTS TO REQUIRE (1) A DETAILED ACCOUNTING TO CONGRESS BY THE PRESIDENT OF HIS EXERCISE OF THE SPECIAL POWERS GRANTED UNDER THE LEGISLATION AND (2) CREATION OF A SPECIAL COMMITTEE OF CONGRESS TO RECEIVE THIS ACCOUNTING. THE LEGISLATION
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IS EXPECTED TO BE ENACTED WITHOUT DIFFICULTY.

2. AD HAS THE BACKING OF MAS, MEP AND THE URD, AS WELL AS ORGANIZED LABOR, TO PASS THIS LEGISLATION. ALMOST ALONE IN OPPOSITION IS COPEI, WHICH FINDS ITSELF IN A DILEMMA. IF IT OPPOSES PRESIDENT PEREZ'S POPULIST AND NATIONALISTIC PROGRAM, IT WOULD APPEAR TO BE BETRAYING ITS OWN OFT-ENUNCIATED NATIONALISTIC PRINCIPLES; IF IT SUPPORTS THE PROGRAM, IT WOULD SEEM GUILTY OF "ME-TOOISM." COPEI IS THEREFORE SUPPORTING THE PRESIDENT'S ECONOMIC AND FINANCIAL MEASURES THEMSELVES WHILE OBJECTING TO THE GRANT OF EXTRAORDINARY POWERS TO IMPLEMENT THEM ON THE GROUNDS THEY ARE UNNECESSARY (SINCE AD CONTROLS IN THE HANDS OF THE PRESIDENT. COPEI IS MUTTERING DARKLY ABOUT PRESIDENT PEREZ TRYING TO DO TOO MUCH TOO SOON AND EVEN PUBLICLY RECALLING THE EXAMPLE OF THE REFORMIST ADECO-CONTROLLED GOVERNMENTS OF 1945-1948, WHICH ENDED IN THE MILITARY COUP OF NOVEMBER OF THE LATTER YEAR. YET EVEN COPEYANO LEADERS PRIVATELY ADMIT THAT ALMOST ANY LEGISLATION THE PRESIDENT NOW WISHES WOULD BE PASSED BY CONGRESS, SO GREAT IS HIS POWER AT THIS TIME.

3. YET INEVITABLY RUMBLINGS ARE COMMENCING AGAINST CARLOS ANDRES AND HIS BOLD NEW ECONOMIC POLICIES. SOME SMALLER BUSINESSMEN ARE COMPLAINING THAT THEY WILL NOT BE ABLE TO ABSORB THE WAGE INCREASES PROVIDED BY THE PRESIDENT'S ECONOMIC PROGRAM SO LONG AS PRICES REMAIN FROZEN. BIG BUSINESS INTERESTS, NOT SO MUCH AFFECTED BY THE RECENTLY-ANNOUNCED MEASURES, ARE CONCERNED THAT ADDITIONAL AND MORE DRASTIC ECONOMIC AND FINANCIAL MEASURES WHICH COULD HURT THEM, SUCH AS PERSONAL AND CORPORATE INCOME TAXES, MAY BE IN THE OFFING, AND ARE ANNOYED AT RUMORS OF FURTHER POPULIST ADECO MEASURES SUCH AS NATIONALIZING THE EXCLUSIVE CARACAS COUNTRY CLUB AND TURNING IT INTO A NATIONAL PARK. EVEN SOME OF THE MORE CONSERVATIVE ELEMENTS WITHIN AD ARE PRIVATELY ADVISING CAUTION IN PROCEEDING WITH NEW ECONOMIC MEASURES. UNEASE AMONG THE BUSINESS COMMUNITY HAS PROMPTED DEVELOPMENT MINISTER LAURIA TO DENY PUBLICLY THAT PRESIDENT PEREZ IS PLANNING DRASTIC MEASURES IN THE PRIVATE SECTOR.

4. PRESIDENT PEREZ'S ACTIONS DIRECTED AGAINST FOREIGN INVESTMENT ENJOY WIDESPREAD DOMESTIC SUPPORT, AND HIS ANNOUNCED NATIONALIZATION OF THE IRON INDUSTRY IS BEING SEEN AS A PRELUDE TO NATIONALIZATION OF THE FOREIGN OIL COMPANIES.

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5. COMMENT: WHILE THE AD LEADERSHIP SEEMS TO BE FLUSHED WITH SUCCESS AND DETERMINED TO PRESS ON WITH RESTRUCTURING THE ECONOMY, SOME COPEYANOS AND LEFTISTS ALIKE ARE WONDERING WHAT WILL HAPPEN WHEN AND IF PRESIDENT PEREZ'S ECONOMIC POLICIES CAUSE A CONFRONTATION BETWEEN HIS ADMINISTRATION AND VENEZUELA'S POWERFUL VESTED INTERESTS. THERE IS ALSO CONSIDERABLE CONCERN AS TO POSSIBLE US REACTIONS. SOME LOCAL OBSERVERS, BOTH TO THE RIGHT AND TO THE LEFT

OF AD, FEAR SUCH A COLLISION MAY BE INEVITABLE, AND ARE REFLECTING
ON THE POSSIBILITY THAT CARLOS ANDRES PEREZ, IN TRYING TO PRESERVE
VENEZUELA'S DEMOCRACY BY OVERHAULING THE COUNTRY'S ECONOMIC
AND SOCIAL STRUCTURE, COULD END UP BY GOING TOO FAR TOO FAST. OUR
GUESS IS THAT, HAVING GONE TO "THE BRINK", HE WILL NOW REST ON HIS
OARS AND--IF WE ARE SKILLFUL IN BOTH GOVERNMENTAL AND CORPORATE
DIPLOMACY--EVEN QUIETLY BACK-WATER.

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